

**REPORT OF THE AUDIT OF THE
CASEY COUNTY
SHERIFF'S SETTLEMENT - 2007 TAXES**

**For The Period
April 15, 2007 Through April 12, 2008**



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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
CASEY COUNTY
SHERIFF'S SETTLEMENT - 2007 TAXES

For The Period
April 15, 2007 Through April 12, 2008

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2007 Taxes for the Casey County Sheriff for the period April 15, 2007 through April 12, 2008. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$3,435,858 for the districts for 2007 taxes, retaining commissions of \$142,140 to operate the Sheriff's office. The Sheriff distributed taxes of \$3,290,044 to the districts for 2007 Taxes. Taxes of \$127 are due to the districts from the Sheriff and refunds of \$6 are due to the Sheriff from the taxing districts.

Report Comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Should Maintain An Accurate Record Of Receipts And Disbursements

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 2007 TAXES	3
NOTES TO FINANCIAL STATEMENT	5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	9
COMMENTS AND RECOMMENDATIONS	13



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Ronald Wright, Casey County Judge/Executive
Honorable Jerry Coffman, Casey County Sheriff
Members of the Casey County Fiscal Court

Independent Auditor's Report

We have audited the Casey County Sheriff's Settlement - 2007 Taxes for the period April 15, 2007 through April 12, 2008. This tax settlement is the responsibility of the Casey County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Casey County Sheriff's taxes charged, credited, and paid for the period April 15, 2007 through April 12, 2008 in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2008 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Ronald Wright, Casey County Judge/Executive
Honorable Jerry Coffman, Casey County Sheriff
Members of the Casey County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Should Maintain An Accurate Record Of Receipts And Disbursements

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

October 10, 2008

CASEY COUNTY
JERRY COFFMAN, SHERIFF
SHERIFF'S SETTLEMENT - 2007 TAXES

For The Period April 15, 2007 Through April 12, 2008

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 260,160	\$ 791,792	\$ 1,470,471	\$ 467,534
Tangible Personal Property	13,661	51,457	77,216	69,278
Fire Protection	4,420			
Franchise Taxes	30,954	109,627	174,821	
Additional Billings	79	242	449	143
Oil and Gas Property Taxes	12	37	68	22
Limestone, Sand and Mineral Reserves	64	194	359	114
Penalties	2,333	7,033	13,040	4,412
Adjusted to Sheriff's Receipt	<u>(3)</u>	<u>(10)</u>	<u>(18)</u>	<u>(11)</u>
Gross Chargeable to Sheriff	<u>311,680</u>	<u>960,372</u>	<u>1,736,406</u>	<u>541,492</u>
<u>Credits</u>				
Exonerations	1,078	3,281	6,094	1,994
Discounts	4,257	12,960	23,649	8,258
Delinquents:				
Real Estate	4,021	12,189	22,637	7,197
Tangible Personal Property	27	101	152	123
Franchise Taxes	<u>645</u>	<u>1,915</u>	<u>3,514</u>	
Total Credits	<u>10,028</u>	<u>30,446</u>	<u>56,046</u>	<u>17,572</u>
Taxes Collected	301,652	929,926	1,680,360	523,920
Less: Commissions *	<u>13,108</u>	<u>39,274</u>	<u>67,214</u>	<u>22,544</u>
Taxes Due	288,544	890,652	1,613,146	501,376
Taxes Paid	288,240	889,749	1,611,448	500,607
Refunds (Current and Prior Year)	<u>287</u>	<u>876</u>	<u>1,621</u>	<u>769</u>
Due Districts or (Refund Due Sheriff) as of Completion of Audit	<u>\$ 17</u>	<u>\$ 27</u>	<u>\$ 77</u>	<u>\$ 0</u>

* and ** See next page.

The accompanying notes are an integral part of this financial statement.

CASEY COUNTY
 JERRY COFFMAN, SHERIFF
 SHERIFF'S SETTLEMENT - 2007 TAXES
 For The Period April 15, 2007 Through April 12, 2008
 (Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	1,646,148
4% on	\$	1,779,466

** Special Taxing Districts:

Library District	\$	16
Health District		3
Extension District		2
Soil Conservation District		(6)
Ambulance District		3
Hospital District		<u>9</u>

Due Districts or		
(Refund Due Sheriff)	\$	<u><u>27</u></u>

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT

April 12, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Casey County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
April 12, 2008
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Casey County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 12, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2007. Property taxes were billed to finance governmental services for the year ended June 30, 2008. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 25, 2007 through April 12, 2008.

Note 4. Interest Income

The Casey County Sheriff earned \$7,618 as interest income on 2007 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office. As of October 10, 2008 the Sheriff was due \$2,457 in interest from the school district and owed \$2,681 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Casey County Sheriff collected \$22,768 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Casey County Sheriff collected \$1,590 of advertising costs and \$1,590 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees were used to operate the Sheriff's office.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ronald Wright, Casey County Judge/Executive
Honorable Jerry Coffman, Casey County Sheriff
Members of the Casey County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Casey County Sheriff's Settlement - 2007 Taxes for the period April 15, 2007 through April 12, 2008, and have issued our report thereon dated October 10, 2008. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Casey County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Casey County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Casey County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comments and recommendations to be a significant deficiency in internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Casey County Sheriff's Settlement – 2007 Taxes for the period April 15, 2007 through April 12, 2008 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Should Maintain An Accurate Record Of Receipts And Disbursements

This report is intended solely for the information and use of management, the Casey County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

October 10, 2008

COMMENTS AND RECOMMENDATIONS

CASEY COUNTY
JERRY COFFMAN, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period April 15, 2007 Through April 12, 2008

INTERNAL CONTROL - MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

A lack of segregation of duties exists over the receipt and disbursement functions of the Sheriff's office because a limited number of employees are available to properly segregate these job duties. The bookkeeper is responsible for the collection of cash, preparation of the daily deposit, preparation of the monthly bank reconciliations, posting to the receipts and disbursements ledgers, and preparation of the daily tax collection journal. The bookkeeper also prepares monthly reports, issues tax distribution checks, and has access to the Sheriff's signature stamp.

Segregation of duties over receipts and disbursements or implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and/or misappropriation of assets.

To adequately protect employees in the normal course of performing their duties, and/or prevent inaccurate financial reporting or misappropriation of assets, we recommend the Sheriff separate the duties of the bookkeeper or provide strong oversight by reviewing the bookkeeper's work. A review should be documented by initialing supporting documentation. In addition, we recommend the Sheriff authorize, in writing, the use of the signature stamp, expressly designate in writing those persons authorized to use the stamp, and require a log of authorized usage.

Sheriff's Response: No response.

STATE LAWS AND REGULATIONS:

The Sheriff Should Maintain An Accurate Record Of Receipts And Disbursements

The Sheriff did not accurately maintain amounts collected for add-on fees, advertising fees, and advertising costs. Additionally, the Sheriff made lump sum transfers to his fee account without categorizing the payments. Auditors were unable to reconcile amounts transferred to the fee account with amounts collected. KRS 134.160(2) requires the Sheriff to maintain "an accurate account of all moneys received" and "an accurate account of all disbursements made by him." We recommend the Sheriff maintain an accurate record of receipts and disbursements of his office as required. We also recommend the Sheriff remit amounts due to the fee account on a monthly basis.

Sheriff's Response: No response.

